

**TESTIMONY OF
JAMES J. CULLEN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
GAYLORD HOSPITAL
to the
APPROPRIATIONS COMMITTEE
Thursday, February 11, 2010**

**HB 5018, An Act Making Adjustments to State Expenditures and Revenues for
the State Fiscal Year Ending June 30, 2011**

My name is James J. Cullen. I am President and Chief Executive Officer of Gaylord Hospital. I am submitting testimony in opposition to **HB 5018, An Act Making Adjustments to State Expenditures and Revenues for the State Fiscal Year Ending June 30, 2011.**

Gaylord Hospital is a 137 bed specialty hospital, focusing on the needs of highly complex medical and rehabilitation patients. Almost all of our patients are Connecticut residents referred from one of the state's short term acute care hospitals. We have been in Wallingford since 1902 and employ over 600 people with a budget of \$70 million.

Gaylord has experienced significant operating losses for the last few years. Specifically, in fiscal 2008 our operating loss was \$2.2 million and \$1.6 million in 2009. Medicare and Medicaid patients amount to almost 60% of our inpatient volume. Reimbursement for these programs has not increased. In fact, Medicare reimbursement for Gaylord in 2008 and 2009 shrunk by 3% each year!

My purpose in writing to oppose HB 5018 is to point out that the SAGA program amounts to over \$300,000 per year in reimbursement to Gaylord. For a small, specialty provider like Gaylord, who has experienced financial losses, such a reduction cannot be absorbed. We have not given employee pay raises in almost two years and have frozen contributions to their 401(k) retirement plans. To ask our employees to absorb another government cut is unfair and inappropriate.

As you may know, the SAGA program has been the focus of much legislative attention for several years. The SAGA program was significantly modified in 2004 and subjected hospitals, pharmacies, and Community Health Centers to a cap based on available appropriations. Over time, DSS removed the cap from all providers except hospitals. Today, SAGA non-hospital providers are paid one hundred percent of the Medicaid rate while hospitals are paid about 43 percent of the Medicaid rate.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program as directed by the legislature and does not plan to do so until July 1, 2011 – a full seven and a half years after first directed by the legislature to do so. In a letter dated January 20, 2010, DSS stated that the further delay is due to the uncertainty created by federal healthcare reform.

The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. This new budget makes it clear that DSS will not be implementing existing law in the time frame required. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** So, let's just start paying hospitals in accordance with the biennium budget at the Medicaid rate for SAGA and finally put hospitals on par with all other providers to the SAGA program. This change can be accomplished by modifying section 17b-192(f) to read:

(f) The Commissioner of Social Services shall [, within available appropriations,] make payments to hospitals for inpatient and outpatient services at the Medicaid rate.[based on their pro rata share of the costs of services provided or the number of clients served, or both.] The Commissioner of Social Services shall, within available appropriations, make payments for any non-hospital ancillary or specialty services provided to state-administered general assistance recipients under this section based on a methodology determined by the commissioner.

Thank you for your consideration of my position.